

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549
FORM 10-Q

☒ [X] QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 1990

OR

☐ [] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 1-8491

HECLA MINING COMPANY

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

82-0126240

(I.R.S. Employer
Identification No.)

6500 Mineral Drive
Box C-8000

Coeur d'Alene, Idaho

(Address of principal executive offices)

83814-1931

(Zip Code)

208-769-4100

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Name of each exchange on which each class is registered</u>
Common stock, par value 25¢ per share)	
Liquid Yield Option Notes Due 2004)	New York Stock Exchange
Preferred Share Purchase Rights)	Pacific Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for at least the past 90 days. Yes XX. No ____.

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

<u>Class</u>	<u>Outstanding July 31, 1990</u>
Common stock, par value 25¢ per share	27,010,898 shares

HECLA MINING COMPANY and WHOLLY OWNED SUBSIDIARIES

FORM 10-Q

FOR THE QUARTER ENDED JUNE 30, 1990

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PART I - FINANCIAL INFORMATION

HECLA MINING COMPANY and WHOLLY OWNED SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
June 30, 1990 and December 31, 1989
(dollars in thousands)

	June 30, 1990 (Unaudited)	December 31, 1989
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 10,702	\$ 13,086
Accounts and notes receivable	28,177	17,487
Inventories	12,187	14,486
Investments	1,253	2,431
Other current assets	1,051	1,661
Total current assets	53,370	49,151
Investments	10,434	10,269
Properties, plants and equipment	271,525	262,031
Less accumulated depreciation, depletion and amortization	(114,264)	(106,172)
Other noncurrent assets	8,646	6,919
Total assets	\$ 229,711	\$ 222,198
<u>LIABILITIES</u>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 8,362	\$ 9,853
Accrued payroll	2,587	2,397
Accrued taxes	1,105	1,361
Deferred income taxes	60	761
Total current liabilities	12,114	14,372
Deferred income taxes	4,324	3,742
Deferred revenue	2,371	2,525
Long-term debt	67,366	64,760
Other noncurrent liabilities	7,809	7,563
Total liabilities	93,984	92,962
<u>SHAREHOLDERS' EQUITY</u>		
Preferred stock, 25¢ par value, authorized 5,000,000 shares, none issued	- -	- -
Common stock, 25¢ par value, 50,000,000 shares authorized; issued 1990 - 27,071,047 shares, 1989 - 27,062,101 shares	6,768	6,766
Capital surplus	53,687	53,600
Earnings retained in the business	76,912	70,326
Net unrealized loss on marketable equity securities	(734)	(635)
Less common stock reacquired at cost; 1990 - 60,149 shares, 1989 - 54,618 shares	(906)	(821)
Total shareholders' equity	135,727	129,236
Total liabilities and shareholders' equity	\$ 229,711	\$ 222,198

The accompanying notes are an integral part of the financial statements.

PART I - FINANCIAL INFORMATION (Continued)

HECLA MINING COMPANY AND WHOLLY OWNED SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

(dollars and shares in thousands, except for per-share amounts)

	Three Months Ended		Six Months Ended	
	June 30, 1990	June 30, 1989	June 30, 1990	June 30, 1989
Sales of products	\$ 33,285	\$ 25,377	\$ 64,455	\$ 49,547
Cost of sales and other direct production costs	24,702	19,175	45,819	35,935
Depreciation, depletion and amortization	5,049	4,426	8,643	8,053
	<u>29,751</u>	<u>23,601</u>	<u>54,462</u>	<u>43,988</u>
Gross profit	<u>3,534</u>	<u>1,776</u>	<u>9,993</u>	<u>5,559</u>
Other operating expenses:				
General and administrative	2,377	2,136	4,311	4,157
Exploration	1,309	1,856	2,227	4,108
Research	- -	285	- -	414
Depreciation and amortization	140	106	277	217
	<u>3,826</u>	<u>4,383</u>	<u>6,815</u>	<u>8,896</u>
Earnings (loss) from operations	<u>(292)</u>	<u>(2,607)</u>	<u>3,178</u>	<u>(3,337)</u>
Other income (expense):				
Interest and other income	1,234	517	3,863	785
Other expense	- -	(5)	(1)	(1,622)
Gain on sale of investments	- -	- -	215	- -
Interest expense:				
Total interest cost	(1,399)	(1,196)	(2,813)	(1,949)
Less amount capitalized	72	172	323	548
	<u>(93)</u>	<u>(512)</u>	<u>1,587</u>	<u>(2,238)</u>
Income (loss) before income taxes	<u>(385)</u>	<u>(3,119)</u>	<u>4,765</u>	<u>(5,575)</u>
Income tax provision (benefit)	<u>(2,372)</u>	<u>62</u>	<u>(1,821)</u>	<u>145</u>
Net income (loss)	<u>\$ 1,987</u>	<u>\$ (3,181)</u>	<u>\$ 6,586</u>	<u>\$ (5,720)</u>
Net income (loss) per share	<u>\$ 0.07</u>	<u>\$(0.12)</u>	<u>\$ 0.24</u>	<u>\$(0.21)</u>
Cash dividends per share	<u>\$ - -</u>	<u>\$ - -</u>	<u>\$ - -</u>	<u>\$ - -</u>
Weighted average number of common shares outstanding	27,010	27,004	27,010	27,004

The accompanying notes are an integral part of the financial statements.

PART I - FINANCIAL INFORMATION (Continued)

HECLA MINING COMPANY and WHOLLY OWNED SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)
(dollars in thousands)

	Six Months Ended	
	June 30, 1990	June 30, 1989
Operating activities:		
Net income (loss)	\$ 6,586	\$ (5,720)
Noncash elements included in net income:		
Depreciation, depletion and amortization	8,921	8,270
Gain on disposition of properties, plants and equipment	(2,093)	(77)
Deferred tax provision	582	-
Interest on long-term debt	2,606	-
Gain on sale of investments	(215)	-
	16,387	2,473
Change in accounts and notes receivable	(10,690)	(2,341)
Change in inventories	2,299	770
Change in other current assets	610	(238)
Change in accounts payable and accrued expenses	(1,301)	(1,319)
Change in accrued taxes and other	(957)	122
Change in noncurrent liabilities	246	744
Net cash provided by operating activities	6,594	211
Investing activities:		
Purchase of investments	(264)	-
Additions to properties, plants and equipment	(10,936)	(23,514)
Proceeds from disposition of properties, plants and equipment	2,352	380
Proceeds from sale of investments	1,394	240
Other, net	(1,474)	(483)
Net cash applied to investing activities	(8,928)	(23,377)
Financing activities:		
Proceeds from bank borrowings	-	40,000
Repayment of bank borrowings	-	(57,000)
Reduction in deferred revenue	(54)	(53)
Issuance of long-term debt	-	60,301
Acquisition of treasury stock	(85)	(1)
Common stock issued under stock option plan	89	13
Net cash provided by (applied to) financing activities	(50)	43,260
Change in cash and cash equivalents:		
Net increase (decrease) in cash and cash equivalents	(2,384)	20,094
Cash and cash equivalents at beginning of period	13,086	319
Cash and cash equivalents at end of period	\$ 10,702	\$ 20,413
Supplemental disclosure of cash flow information:		
Cash paid (received) during period for:		
Interest (net of amount capitalized)	\$ -	\$ 1,208
Income tax payments (refunds), net	813	1,046
Noncash financial and investing activity:		
Note payable assumed by purchaser of property	300	

The accompanying notes are an integral part of the financial statements.

PART I - FINANCIAL INFORMATION (Continued)

HECLA MINING COMPANY and WHOLLY OWNED SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. The notes to the financial statements as of December 31, 1989, as set forth in the Company's 1989 Annual Report, substantially apply to the interim financial statements ended June 30, 1990, and are not repeated here.

Note 2. The financial information given in the accompanying unaudited consolidated financial statements reflect all normal and recurring adjustments which, in the opinion of management, are necessary to a fair statement for the periods reported. All financial statements presented herein are unaudited. The balance sheet as of December 31, 1989 has been derived from the audited balance sheet.

Note 3. The components of the income tax provision (benefit) for the six months ended June 30, 1990 and 1989 are as follows (in thousands):

	<u>1990</u>	<u>1989</u>
Current:		
State income taxes	\$ 59	\$ 145
Federal income tax benefit	(2,462)	- -
Additional federal income tax provision associated with prior years' taxes, and interest thereon	-	394
Total current	(2,403)	539
Deferred provision (benefit)	582	(394)
Total	<u><u>\$ (1,821)</u></u>	<u><u>\$ 145</u></u>

The Company's income tax provision for the first half of 1990 varies from the amount that would have been provided by applying the statutory rate to the income before income taxes due to the use of the alternative minimum tax rate offset by tax refunds of \$2.5 million on the settlement of IRS audits.

Note 4. Inventories consist of the following (in thousands):

	<u>June 30, 1990</u>	<u>December 31, 1989</u>
Concentrates and metals in transit and other products	\$ 4,375	\$ 6,509
Industrial mineral products	2,045	2,928
Materials and supplies	5,767	5,049
	<u><u>\$ 12,187</u></u>	<u><u>\$ 14,486</u></u>

Note 5. Various legal actions and claims are pending against the Company and certain of its subsidiaries. The Company has been notified by the U.S. Environmental Protection Agency (EPA) that it has been designated by the EPA as a potentially responsible party with respect to a superfund priority list site located in the State of Colorado and a second site located in the State of Washington. In October 1989, the Company was notified by the EPA that it was also identified by the EPA as a potentially responsible party at the Bunker Hill superfund

HECLA MINING COMPANY and WHOLLY OWNED SUBSIDIARIES

site located in northern Idaho. The Company has been named as a third party defendant in two separate lawsuits originally brought by the State of Colorado to recover natural resource damages and response costs under the Comprehensive Environmental Response, Compensation and Liability ACT (CERCLA) at two Colorado mining sites. The Company is also named as one of a number of defendants in a suit brought under CERCLA by the United States Government to recover response costs at one of the sites subject to the State of Colorado litigation. Although the ultimate disposition of these actions is not presently determinable, it is the opinion of the Company's management, based upon the information available at this time, that the outcome of the suits and proceedings mentioned, and other miscellaneous litigation and proceedings now pending, will not have a material adverse effect on the financial condition of the Company and its consolidated subsidiaries.

On March 29, 1989, the Company negotiated a settlement of the lawsuit brought by private party plaintiffs claiming damages resulting from operations conducted by the Company's predecessor in interest, Ranchers Exploration and Development Corporation, at an Arizona mine site. As part of the settlement, the Company paid \$1.6 million to reimburse the plaintiffs for a substantial portion of their costs to construct the current mine water treatment facility located at the mine site, and a substantial portion of the plaintiffs' legal fees and costs incurred in the litigation.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Results of Operations

First Six Months 1990 Compared to First Six Months 1989

Net income of approximately \$6.6 million was realized in the first six months of 1990 as compared to a net loss of approximately \$5.7 million incurred in the same period of 1989. Sales of products increased by \$14.9 million in the first six months of 1990 as compared to the 1989 period, primarily due to increased gold production at the Republic mine; gold production at the Yellow Pine mine, which resumed production in the second quarter of 1990; an increase in gold, silver, lead and zinc production at the Greens Creek mine due to a full six months of operation in 1990, whereas operations commenced in March in the 1989 period; an increase in the shipments of kaolin from Kentucky-Tennessee Clay Company's Kaolin Division; increased scoria sales from Colorado Aggregate Company; and increases in the average prices of gold and lead for the first six months of 1990 as compared to the same 1989 period. These increases were partially offset by decreased silver production at the Escalante mine; decreased shipments of ball clay from Kentucky-Tennessee Clay Company's Ball Clay Division; decreased silver production at the Coeur and Galena mines; and decreases in the average prices of silver and zinc for the six months ended June 30, 1990 as compared to the six months ended June 30, 1989.

HECLA MINING COMPANY and WHOLLY OWNED SUBSIDIARIES

Cost of sales and other direct production costs increased by \$9.9 million from the 1989 period to the 1990 period, principally as a result of a full 6-months' costs at the Greens Creek mine and Kentucky-Tennessee Clay Company's Kaolin Division, both of which operated over shorter periods during the 1989 period, initial costs at the Apex Project and Yellow Pine mine, which began and resumed operations, respectively, in the 1990 period, and increased costs of production at Colorado Aggregate Company attributable to the new aquarium gravel facility. Depreciation, depletion and amortization increased approximately \$.6 million, primarily a result of the commencement of production at the Apex Project and the Yellow Pine mine during 1990, an increase in the operating periods in the 1990 period at the Greens Creek mine and Kentucky-Tennessee Clay Company's Kaolin Division, all of which were partially offset by decreased depreciation at the Escalante mine where the assets were fully depreciated in 1989.

Other operating expenses decreased by \$2.1 million in the 1990 period compared to the same 1989 period, primarily a result of decreased Canadian exploration activity during the 1990 period.

Other income (expense) increased by \$3.8 million, a direct result of the \$1.6 million settlement relating to environmental issues at the Old Reliable, Arizona property in 1989, nonrecurring in the 1990 period, the gain on sale of the Golden Dome property in Sierra County, California for \$2.0 million in the 1990 period, and increased interest income related to settlements of prior years' IRS audits during 1990. Partially offsetting these items was an increase in interest expense attributable to borrowings under the LYONS issuance.

The income tax benefit recognized for the first six months of 1990 reflects the benefit of refunds due from settlements of prior years' IRS audits, partially offset by the estimated tax liability on the taxable income for 1990 on a year-to-date basis.

Total gold production increased by 50% to 60,000 ounces in the first six months of 1990 from 40,000 ounces in the 1989 period. This increase is due primarily to increased gold production at the Republic mine and the Greens Creek mine and gold production at the Yellow Pine mine in 1990, where operations were suspended during 1989. The Company's share of silver production increased by 13% to 3.2 million ounces in the first six months of 1990 compared to 2.8 million ounces in the 1989 period, primarily due to increased production at the Greens Creek mine during the 1990 period.

Prices for gold and silver have the greatest impact on the Company's sales and net income (loss) from the metals segment. The average gold price increased slightly to \$386 per ounce in the first six months of 1990 from \$384 in the same 1989 period, but the average silver price decreased 11% to \$5.10 per ounce in the 1990 period from \$5.72 in the 1989 period.

PART I - FINANCIAL INFORMATION (Continued)

HECLA MINING COMPANY and WHOLLY OWNED SUBSIDIARIES

Three Months Ended June 30, 1990 Compared to
Three Months Ended June 30, 1989

Net income of approximately \$2.0 million was realized in the three-month period ended June 30, 1990 compared to a net loss of \$3.2 million incurred in the same period of 1989. Sales of products increased by \$7.9 million in the three-month period ended June 30, 1990 compared to the same 1989 period primarily due to increased gold production at the Republic mine; increased gold, silver, lead and zinc production at the Greens Creek mine; gold production during the 1990 period at the Yellow Pine mine; and an increase in the average price of lead, partially offset by decreased silver production at the Escalante mine; and a decrease in the average prices of gold, silver and zinc during the second quarter of 1990 as compared to the second quarter of 1989.

Cost of sales and other direct production costs increased by \$5.5 million due to the start-up of the Apex Project and the Yellow Pine mine in the second quarter of 1990, both of which were not in operation during the second quarter of 1989. Depreciation, depletion and amortization increased by \$.6 million in the three-month period ended June 30, 1990 as compared to the same period of 1989, due also to the start-up of the Apex Project and the Yellow Pine mine in the 1990 period, partially offset by a decrease in depreciation at the Escalante mine, where the assets were fully depreciated in 1989.

Other operating expenses decreased by \$.6 million from \$4.4 million in the 1989 period to \$3.8 million due primarily to decreased Canadian exploration activities in the 1990 period compared to the same 1989 period.

Other income (expense) increased approximately \$.4 million due primarily to interest income related to tax refund settlements in the second quarter of 1990, partially offset by increased interest expense in the 1990 period attributable to borrowings under the LYONs issuance.

Gold production increased by 67% from 19,500 ounces in the 1989 period to 32,500 ounces in the second quarter of 1990, principally due to commencement of operations at the Yellow Pine mine during the 1990 period and increased gold production at the Republic mine during the second quarter of 1990 compared to the 1989 period. The Company's share of silver production increased by 4% to 1,570,000 ounces in the 1990 period from 1,504,000 ounces in the 1989 period, primarily due to the increased silver production at the Greens Creek mine, partially offset by decreased silver production at the Escalante mine during the second quarter of 1990 as compared to the second quarter of 1989.

For the three months ended June 30, 1990 as compared to the same period of 1989, the average gold price decreased by 2% from \$374 in 1989 to \$365 in 1990, and the average silver price decreased by 9% from \$5.51 in 1989 to \$5.01 in the same 1990 period.

HECLA MINING COMPANY and WHOLLY OWNED SUBSIDIARIES

Financial Condition and Liquidity

From the end of 1989 through the second quarter of 1990, cash and cash equivalents decreased by approximately \$2.4 million from \$13.1 million to \$10.7 million. Operations provided approximately \$6.6 million in net cash for the six months ended June 30, 1990. The major uses of cash were for capital expenditures of \$10.9 million related primarily to the Apex Project, the Republic Accelerated Decline Project, the Greens Creek mine, Kentucky-Tennessee Clay Company's Ball Clay and Kaolin Divisions, and the Republic mine.

Planned capital expenditures for the remainder of 1990 are expected to be approximately \$8.5 million. These expenditures are expected to be funded through internally generated funds and existing cash equivalents. At June 30, 1990, the Company had no outstanding bank loan balance against the \$75 million bank credit line.

A substantial portion of the Company's revenues are derived from the sale of commodities, the prices of which are subject to worldwide supply and demand. The Company cannot significantly affect the market prices for these products. Prices may change dramatically in short periods of time and such prices have a significant effect on revenues and profits of the Company. The Company has experienced increased costs because of inflation, but the costs of production remain relatively unchanged over the short term although they are generally subject to the same inflationary pressures experienced by the entire economy. In addition, inflation has affected, and will continue to affect, the interest rates paid by the Company, the effect of which on the Company's profitability will vary with the amount of the Company's borrowing at any time. However, the market prices for products produced by the Company have a much greater impact than inflation on the Company's revenues and profitability.

The discovery, development and acquisition of mineral properties are in many instances unpredictable events. Future metal prices, the success of exploration programs and other property transactions can have a significant impact on the need for capital. One of the primary reasons for the maintenance of the bank credit line is to have funds readily available to allow the Company flexibility in structuring mineral acquisitions or ventures. The Company believes it has the flexibility to adjust its activities to cope with changing economic conditions.

PART I - FINANCIAL INFORMATION (Continued)

HECLA MINING COMPANY and WHOLLY OWNED SUBSIDIARIES

PART II - OTHER INFORMATION

HECLA MINING COMPANY and WHOLLY OWNED SUBSIDIARIES

Item 1. Legal Proceedings

See Note 5 of the Notes to Consolidated Financial Statements on pages 6 and 7 of this report.

Item 5. Other Information

Although the Apex Project in Utah continued to produce and ship sodium germanate during the second quarter, the Company announced on August 3, 1990, the suspension of processing ore from the Apex mine due to metallurgical and operational difficulties and continuing price decreases for germanium and gallium in the world market. However, the Company is investigating the possibility of producing germanium, gallium and other metals from higher grade feedstocks. The suspension of production will result in a reduction of the plant's work force, affecting about 40 full-time employees.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

None

(b) Reports on Form 8-K

None

Items 2, 3 and 4 of Part II are omitted from this report as inapplicable.

HECLA MINING COMPANY and WHOLLY OWNED SUBSIDIARIES

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

HECLA MINING COMPANY

(Registrant)

Date: August 3, 1990

By /s/ ARTHUR BROWN

Arthur Brown, Chairman, President
and Chief Executive Officer

Date: August 3, 1990

By /s/ J. T. HEATHERLY

J. T. Heatherly,
Vice President - Controller
(Chief Accounting Officer)

HECLA MINING COMPANY

REPORT TO SHAREHOLDERS



For the Quarter Ended
June 30, 1990

CORPORATE PROFILE

Hecla Mining Company is a leading domestic producer of newly mined silver and gold, and a major supplier of premium ball clay, kaolin and specialty aggregates. Headquartered in Coeur d'Alene, Idaho, the Company has operations and projects under development in twelve states and three Canadian provinces.

TO OUR SHAREHOLDERS

Hecla earned \$2 million, or 7¢ a share, in the second quarter of 1990, an improvement over 1989's second quarter, when the Company showed a loss of \$3.2 million, or 12¢ a share. In the second quarter of 1990, revenue was up 33% to \$34.5 million compared to \$25.9 million in the same period last year. Increased gold production and a \$2.4 million net tax benefit primarily from a favorable settlement of outstanding tax issues from prior years kept Hecla profitable in the second quarter, despite lower precious metals prices. For the first six months of this year, Hecla earned \$6.6 million, or 24¢ a share, on revenue of \$68.5 million. That compares to a loss of \$5.7 million, or 21¢ a share, on revenue of \$50.3 million in the first six months of 1989.

The price of gold decreased during the second quarter of 1990, averaging \$365 per ounce compared to \$374 per ounce during the second quarter of 1989. Silver fared no better, with an average price of \$5.01 per ounce in the second quarter of this year compared to \$5.51 per ounce in the second quarter of 1989.

Our gold operations performed admirably, producing a total of 32,538 ounces of gold during the second quarter compared to 19,503 ounces in the second quarter of 1989. Sharply increased gold production was aided by the smooth start-up of the Yellow Pine operation in Central Idaho which produced nearly 8,500 ounces of gold in the second quarter, most of that coming in the month of June. Yellow Pine is expected to yield 60,000 ounces of gold during the 1990 mining season. The Republic Unit produced almost 21,000 ounces of gold in the second quarter of this year. Also at Republic, the underground decline ramp and development drifts have now been driven more than a mile into the Golden Promise area of the Republic mine. The project is ahead of schedule and on budget.

(continued)

A new three-year contract agreement was reached with Lucky Friday hourly employees in June. The contract provides for modest hourly wage increases through 1993 and continued participation in a profit-sharing arrangement. Overall, silver production increased during the first six months of this year compared to the same period in 1989 as a result of increased production at the Greens Creek Unit in Alaska. Operations at the Escalante Unit in Utah are winding down, with closure of the mill scheduled for the third quarter. Although at current prices we do not show a profit from silver operations, our cash cost of production is low enough to maintain a positive cash flow.

The Apex Unit in Utah continued to produce and ship sodium germanate during the second quarter. Unfortunately, Apex experienced metallurgical and operational difficulties which increased our costs. Continuing price decreases in germanium and gallium in the world market have prompted a decision to suspend processing ore from the Apex mine. However, the Company is investigating the possibility of producing germanium, gallium and other metals from higher grade feedstocks. The suspension of production will result in a reduction of the plant's work force, affecting about 40 full-time employees.

Industrial minerals recorded a decrease in gross profit of about \$500,000 in the second quarter of 1990 compared to the same period in 1989. The downturn is primarily due to new product development and plant start-up costs at Colorado Aggregate Company.

In July, Hecla acquired a majority interest in Acadia Mineral Ventures Limited of Toronto, Canada. Hecla paid (C)\$600,000 in cash and conveyed its interest in nine Canadian properties to Acadia in exchange for 11.5 million shares of Acadia common stock. The Company holds 52.5% of Acadia's common stock and is entitled to majority representation on the Acadia board of directors. Acadia will become Hecla's base for Canadian exploration activities.

Hecla's Annual Meeting of Shareholders was held in Coeur d'Alene, Idaho, on Friday, May 4, 1990. Reelected to the Board for three-year terms were Leland O. Erdahl, W. A. Griffith and Paul A. Redmond. Following the Annual Meeting of Shareholders, the Board of Directors decided not to declare a dividend for the second quarter of 1990. Norman Visnes has resigned from the Board of Directors, citing health reasons. Your Company has greatly benefitted from Norm's efforts for the past seven years, and he has our sincere thanks for the time and expertise he has given to Hecla. Norm will certainly be missed.

I am pleased to report that Hecla has been awarded a Certificate of Special Recognition by the United States Bureau of Land Management for quality environmental stewardship during an exploration project in Baker County, Oregon. We strive to practice careful management of the land at all our projects, and it is gratifying to be recognized for our environmental efforts.

Hecla remained profitable through the first half of the year despite the disappointing slump in precious metals prices. In addition to the net benefit realized from the income tax settlement, exceptional performance at the gold operations was a key factor in our positive report for the second quarter. Looking ahead, Yellow Pine is expected to boost overall gold production to record levels in the second half of 1990, and the outlook for the remainder of the year is good.



Arthur Brown
*Chairman, President and
Chief Executive Officer*

Coeur d'Alene, Idaho
August 4, 1990

RESULTS IN BRIEF

Hecla Mining Company and wholly owned subsidiaries

(dollars in thousands, except per-share amounts)

Total revenue

Net income (loss)

Net income (loss) per share

Sale of products

Gold operations

Silver operations

Specialty metals operations

Industrial minerals

Total sales

Gross profit (loss)

Gold operations

Silver operations

Specialty metals operations

Industrial minerals

Total gross profit

CONSOLIDATED BALANCE SHEETS

Hecla Mining Company and wholly owned subsidiaries

(dollars in thousands)

Assets

Current assets:

Cash and cash equivalents

Accounts and notes receivable

Inventories

Investments

Other current assets

Total current assets

Investments

Properties, plants and equipment, net

Other noncurrent assets

Total assets

Liabilities and Shareholders' Equity

Current liabilities:

Accounts payable and accrued expenses

Accrued taxes

Deferred income taxes

Total current liabilities

Deferred income taxes

Deferred revenue

Long-term debt

Other noncurrent liabilities

Total liabilities

Shareholders' equity

Total liabilities and shareholders' equity

Second Quarter		First Six Months	
1990	1989	1990	1989
\$34,519	\$ 25,894	\$68,533	\$ 50,332
\$ 1,987	\$ (3,181)	\$ 6,586	\$ (5,720)
\$ 0.07	\$ (0.12)	\$ 0.24	\$ (0.21)

\$11,745	\$ 6,874	\$22,677	\$ 14,931
11,679	9,199	22,371	17,308
425	—	425	—
9,436	9,304	18,982	17,308
\$33,285	\$ 25,377	\$64,455	\$ 49,547

\$ 5,747	\$ 4,183	\$13,329	\$ 9,123
(683)	(3,818)	(2,698)	(6,098)
(2,461)	—	(2,471)	—
931	1,411	1,833	2,534
\$ 3,534	\$ 1,776	\$ 9,993	\$ 5,559

	June 30, 1990	December 31, 1989
	(Unaudited)	
	\$ 10,702	\$ 13,086
	28,177	17,487
	12,187	14,486
	1,253	2,431
	1,051	1,661
	53,370	49,151
	10,434	10,269
	157,261	155,859
	8,646	6,919
	\$229,711	\$222,198

	\$ 10,949	\$ 12,250
	1,105	1,361
	60	761
	12,114	14,372
	4,324	3,742
	2,371	2,525
	67,366	64,760
	7,809	7,563
	93,984	92,962
	135,727	129,236
	\$229,711	\$222,198

CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

Hecla Mining Company and wholly owned subsidiaries

For the Three-Month and Six-Month Periods Ended June 30, 1990 and June 30, 1989

(dollars and shares in thousands, except per-share amounts)

Sales of products

Cost of sales and other direct production costs

Depreciation, depletion and amortization

Gross profit (Note 1)

Other operating expenses:

General and administrative

Exploration

Research

Depreciation and amortization

Earnings (loss) from operations

Other income (expense):

Interest and other income

Other expense

Gain on sale of investments

Interest expense:

Total interest cost

Less amount capitalized

Income (loss) before income taxes

Income tax provision (benefit)

Net income (loss)

Net income (loss) per share

Cash dividends per share

Weighted average number of common shares outstanding

Note 1: The gross profit for business segments is as follows:

Metals

Industrial Minerals

Gross profit

Three Months Ended		Six Months Ended	
June 30, 1990	June 30, 1989	June 30, 1990	June 30, 1989
\$33,285	\$25,377	\$64,455	\$ 49,547
24,702	19,175	45,819	35,935
5,049	4,426	8,643	8,053
29,751	23,601	54,462	43,988
3,534	1,776	9,993	5,559
2,377	2,136	4,311	4,157
1,309	1,856	2,227	4,108
—	285	—	414
140	106	277	217
3,826	4,383	6,815	8,896
(292)	(2,607)	3,178	(3,337)
1,234	517	3,863	785
—	(5)	(1)	(1,622)
—	—	215	—
(1,399)	(1,196)	(2,813)	(1,949)
72	172	323	548
(93)	(512)	1,587	(2,238)
(385)	(3,119)	4,765	(5,575)
(2,372)	62	(1,821)	145
\$ 1,987	\$ (3,181)	\$ 6,586	\$ (5,720)
\$ 0.07	\$ (0.12)	\$ 0.24	\$ (0.21)
—	—	—	—
27,010	27,004	27,010	27,004

Three Months Ended		Six Months Ended	
June 30, 1990	June 30, 1989	June 30, 1990	June 30, 1989
\$2,603	\$ 365	\$8,160	\$3,025
931	1,411	1,833	2,534
\$3,534	\$1,776	\$9,993	\$5,559

CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

Hecla Mining Company and wholly owned subsidiaries

For the Six-Month Periods Ended June 30, 1990 and 1989

<i>(dollars in thousands)</i>	Six Months Ended June 30,	
	1990	1989
Operating activities:		
Net income (loss)	\$ 6,586	\$(5,720)
Noncash items included in net income (loss)	9,801	8,193
Change in operating assets and liabilities	(9,793)	(2,262)
Net cash provided by operating activities	6,594	211
Net cash applied to investing activities	(8,928)	(23,377)
Net cash provided by (applied to) financing activities	(50)	43,260
Net increase (decrease) in cash and cash equivalents	(2,384)	20,094
Cash and cash equivalents at beginning of period	13,086	319
Cash and cash equivalents at end of period	\$10,702	\$20,413

Average Metal Prices

	Second Quarter		First Six Months	
	1990	1989	1990	1989
Gold (dollars/ounce)	365	374	386	384
Silver (dollars/ounce)	5.01	5.51	5.10	5.72
Lead (cents/pound)	38	29	38	29
Zinc (cents/pound)	78	77	72	82

Gold and Silver Production

	Second Quarter	
	1990	1989
Gold (ounces)	32,538	19,503
Silver (ounces)	1,569,935	1,503,685
	First Six Months	
	1990	1989
Gold (ounces)	60,135	40,046
Silver (ounces)	3,164,483	2,812,758



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This page is a reference page used to track documents internally for the Division of Oil, Gas and Mining

Mine Permit Number MOZ10004 Mine Name Escalante Silver
Operator Hecla Mining Co Date July 31, 1990
TO _____ FROM _____

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☐ AMENDMENT ☐ OTHER _____

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YEAR-Record Number

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